



SBLC WEEKLY

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I WOULD HAVE RATHER BEEN WRONG

Back in March I said this:

THE MONTH AHEAD –FORM 1099 WALLPAPER

I have every reason to believe we will soon see a new effort to have every business in America that purchases services from another business issue a Form 1099 at the end of the year to the service business – and it will not matter whether the service business is a corporation, sole proprietorship, or partnership. Think about it, even the smallest business probably has a half dozen businesses it relies on for services – advertising, financial, technical, accounting, payroll, overnight delivery.

Add the law of unintended consequences to that fact and you have a recipe for heartburn. There are modest penalties that go along with the failure to issue Form 1099s. How easy is it going to be to mess up with this new responsibility? Who provides service? What if there are goods and services? How about getting the tax identification number from those service providers. And dealing with back up withholding if you do not.

Before you know it, we will fund the government not from the additional tax revenues gained by all those service businesses reporting their income more accurately, but on the backs of the

nearly 100 percent of businesses that will be responsible for issuing Form 1099s through all the penalties that will be assessed. SBLC co-chairs the Coalition for Fairness in Tax Compliance (www.taxcompliancefairness.org), along with our friends at NFIB and the Small Business Center at the Chamber. As soon as we have some specific details, I suspect we will be convening the coalition

Today, the Department of Treasury will release the details of tax relief and tax increases included in the Fiscal Year 2010 budget that the President proposed a month ago. It will include the Form 1099 initiative.

I am not sure why anyone would want to take on something that is a paperwork burden for all small businesses at this time? The burden is not on the businesses that are underreporting their income but on everybody else! It is the type of proposal that annoys everyone and gains little. My impression is while on one hand the Administration is trying to deliver a message it is working hard to help small businesses in these economic rough seas, they go and propose something like this and the positive message is lost. It gains only \$10 billion over ten years which is a pittance in Washington terms.

I will see what other bad or good news on other tax polices are included in their document and let you know!

Since Congress has already passed the budget resolution, the main significance of this report is that it gives credibility to any proposal made by Congress to increase taxes or provide tax relief, as in “We already know the President will support it.”

CALL IT WHAT YOU WANT

In the arcane world of tax policy one of the exciting buzzes of the last week has been the color of the cover of what is officially known as the “General Explanations of the Administration’s Fiscal Year Revenue Proposals.” This is the aforementioned Treasury Department explanation of proposed tax policies such as the Form 1099 proposal. It is widely known as the “Blue Book,” not be confused with the “Blue Book” published by the Joint Committee of Taxation, which explains the tax laws that have been passed in a Congress. For a number of years, there has been a “Green book” which is published by the Ways and Means Committee, and provides updated data and information on programs within the Committee’s jurisdiction, such as Medicare, Social Security, Unemployment Compensation, Foster Care and welfare.

The buzz is that the Treasury explanation will have a green cover and the joke around town is that this is the Treasury Department’s contribution to the Administration’s environmental efforts.