



**CLIENT MEMO**  
**GET READY FOR NEW 1099 REPORTING RULES**

The passage of the Healthcare Reform bill included some of the most drastic changes to 1099 information reporting in over a decade. In 2012, the Healthcare Reform law will require businesses, governments and charities to issue 1099 forms to all vendors they pay over \$600 for goods and services. While the new rules don't apply to payments made before 2012, it is not too early to start gearing up to deal with the new requirements.

**Current Rules –**

For many years, businesses have been required to report various payments made to individuals and partnerships on Form 1099s. For instance, when a business pays \$600 or more during a calendar year to an independent contractor for services, the business must issue the contractor a Form 1099-MISC that reports the amount paid that year as well as furnish a copy of the Form 1099-MISC to the IRS. In addition, there is generally no reporting requirement to issue 1099s for payments made to acquire property and payments made to corporations.

**New Rules –**

Beginning in 2012, the healthcare legislation will make two major changes to the existing Form 1099 reporting rules as follows:

- ***First Change: Payments to Corporations Must Be Reported.*** Starting in 2012, if your business pays a corporation \$600 or more in a calendar year, you must report the total amount on an information return.
- ***Second Change: Payments for Property Must Be Reported.*** Starting in 2012, if your business pays \$600 or more in a calendar year to any party (including an individual) as "amounts in consideration for property," you must report the total payments on an information return for that year. Your business must also obtain a taxpayer identification number (TIN) from each payee to avoid the requirement for backup withholding of federal income tax.

Complying with the new 1099 reporting rules may be difficult for many due to an avalanche of paperwork. Your business will likely have to modify its accounting procedures to capture payee information that will be needed to comply with the new requirements. However, there has been legislation introduced in Congress that would repeal or relax the new reporting requirements and we believe there is a good chance that these rules will be modified to ease the potential reporting chaos. We will keep you advised if and when this happens. Until then, if you need clarification regarding the new rules or would like more information on compliance, please do not hesitate to contact us.

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