

legislation, including in tax gap reduction proposals from presidents George W. Bush and Barack Obama. This tax provision, however, was included in the health care reform legislation as a revenue raiser, because it was scored as potentially providing \$17.1 billion over ten years in federal revenue. This estimate is too high, and according to a July 2010 report issued by The Office of the Taxpayer Advocate, it may actually harm smaller organizations: “[T]he new reporting burden, particularly as it falls on small businesses, may turn out to be disproportionate as compared with any resulting improvement in tax compliance.”

### Proposed Legislative Solutions

**The Johanns/Lungren Legislation** – Congressman Dan Lungren (R-CA) introduced H.R. 5141 (“The “Small Business Paperwork Mandate Elimination Act”) on April 28. Companion legislation (S. 3578) was introduced by Senator Mike Johanns (R-NE) on July 14 and is currently being offered as an amendment (#4596) to the small business lending bill. The Johanns amendment is scheduled to be voted on when the Senate returns from recess on September 14.

The legislative language would completely repeal the new 1099 requirement but maintain the prior reporting requirement. The bill is completely offset through two cost reductions in the health care bill:

- It would decrease the exemption level for the individual mandate from 8% of income to 5%.
- It reduces \$15 billion in funding from the Prevention and Public Health Trust Fund

The Prevention and Public Health Fund provides grants to programs aimed at disease prevention and building a stronger public health workforce. Some associations have expressed concern that the spending offset proposed in the Johanns amendment undermines health and wellness programs that are vital to their members as well as health care reform in general. ASAE believes that the new 1099 requirements are a tax issue and should not be tied into the health care debate.

**The Bill Nelson Amendment** – The Democratic alternative to the Johanns amendment is another amendment proposed by Senator Bill Nelson (D-FL) that will also be voted on September 14. The amendment is a partial offset of the 1099 requirement: it raises the spending amount from \$600 to \$5,000 annually; exempts organizations with 25 or fewer employees; and it exempts all payments made by credit card from 1099 reporting. The legislation is scored to require an offset of \$10 billion, and would be offset by a change to taxation of domestic oil production.

ASAE is concerned with the Nelson amendment because it still requires expanded paperwork for many associations. Even with the exemption and higher monetary threshold, associations would still spend critical time and energy tracking purchases to vendors, obtaining taxpayer identification numbers, and distributing 1099 forms. ASAE supports a full repeal of the new 1099 requirements and feels the issue should be debated as a tax issue, not a health care issue.