
Bailey, Carr & Co.

CERTIFIED PUBLIC ACCOUNTANTS

Dear Clients:

The new health reform law has several non-health related provisions. One that may become a large revenue raiser for the Federal government is the new 1099 reporting requirements. In the past, we were required to report any payments to un-incorporated businesses who received an aggregate of \$600 or more in payments from us in any given tax year.

We have all grumbled about having to do it but know full well the Federal government can hit us with a significant penalty if we don't comply. The new law has changed this reporting requirement. Now a "person", which in the past has been an individual or an unincorporated business, has been changed to include in its definition any corporation that is not exempt from tax. In other words, this means that we now need to file 1099s for corporations if in fact we have paid them over \$600 or more in any calendar year.

We are bringing this to your attention as it will increase the amount of reporting you will have to do. As always, we are firm proponents of recommending that if records need to be accumulated, it is easier to start early rather than wait until later. Please note this new reporting requirement commences for payments made after December 31, 2011.

We are recommending that if you are using accounting software that has the ability to perform sorts based on the payee, you will want to start accumulating the payees' federal identification numbers for your vendors. This does mean that we are going to have more reporting issues. However, we feel that the information gathering is something we should all be starting on now.

As with any other issue, if you have any questions, please do not hesitate to contact us. We are available to help you make your year end run as smoothly as possible. Call us if we can be of help.

Very Truly Yours,

Bailey, Carr & Co., CPA's