



Congress Repeals Recent Legislation That Would Have Placed a Tremendous Burden on Farmers and Land Owners

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On April 5, 2011, Congress repealed two recent laws. One of the laws, enacted with the 2010 Health Care Bill, increased 1099 reporting to include property purchases as well as service purchases. It also required reporting payments to corporations as well as individuals. The new bill is a complete repeal of the provision in the Health Care bill. Although the additional 1099 reporting was not to begin until 2013, for payments made after December 31, 2011, farmers and businesses were very concerned about the time and cost of complying with the law.

Assume you are a livestock producer and purchase feed each week at the local elevator. If the total purchases exceed \$600 for the year, you would have been required to record the total purchases for the year, obtain the elevator's federal identification number, and issue a Form 1099 at the end of the year. If you multiply this by the number of vendors that you pay over \$600 each year, this would have been a tremendous burden.

Congress also repealed a second 1099 reporting requirement. The repealed 1099 filing would have required landlords that paid \$600 or more to any service provider to file a 1099-MISC. For example, Sally owns farmland which she placed in the CRP program. She is now age 96, living in a nursing home, and suffering from Alzheimer's. She must pay someone to keep the weeds under control in order to qualify for the CRP payment. If that person is paid over \$600, she would have been required to file a Form 1099-MISC with the government. Landlords are now exempt from the 1099 reporting requirement unless they are in a trade or business. For example, a motel operator receives income from renting rooms on a daily basis. Because they furnish cleaning services for the guests, they are considered to be in a trade or business and must still file the 1099 forms.

With the changes, a review of the 1099 reporting requirements for the typical farmer is in order. A Form 1099-MISC must be given to any individual providing services aggregating \$600 or more during the year. For example, Sam, the next door neighbor uses his spreader to apply lime to your fields. You pay him \$400 plus the cost of the lime. Two months later, you hire Sam to use his backhoe to remove a large rock from your field. You pay him \$250 for his work. The total you paid Sam for services in 2011 is \$650. Consequently, you must give him a Form 1099-MISC as well as submit a copy to the IRS.

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If you pay a landlord \$600 or more for land rent, you must give them a Form 1099-MISC unless the landlord is a corporation.

If you have a 1099 filing requirement, be sure you comply with the law. Failure to do so will result in substantial penalties. In 2010, the IRS doubled the amount of these penalties. If you are audited by the IRS, the Revenue Agent will look at your records and then ask to see copies of the 1099s you filed.

Congress originally enacted the provisions that are now repealed to generate revenue to help pay the cost of the Health Care Bill. It was anticipated the provisions would produce \$25 billion of revenue for the government over 10 years. We will have to wait and see how they will replace this revenue.