

U.S. Senate Passes 1099 Repeal

Amid all the bad news charities are getting lately, there is a glimmer of hope -- at least for the accounting departments. The U.S. Senate this past Wednesday approved an amendment that would repeal a measure that would require nonprofits to file a Form 1099 for any vendor with which they spend more than \$600. The new rule is set to take effect in January 2012.

Charities and businesses must file Form 1099 with the Internal Revenue Service (IRS) only when they make payments to "unincorporated service providers." The new requirement was included in healthcare reform passed last year. The Senate voted 81-17 on the 1099 amendment but failed to pass an amendment that would fully repeal healthcare reform, by a vote of 47-51. It could be attached to other bills if healthcare is not repealed.

Everyone seems to agree on repealing the new 1099 requirement, including President Barack Obama, who alluded to it in his State of the Union speech last month. The regulation would unleash a torrent of new paperwork for charities and small businesses. It's more an issue of making up for any revenue shortfall it would create.

There are political differences on funding, said Dan Busby, president of the Evangelical Council For Accountability (ECFA), but "it seems to me Democrats and Republicans will come together at some point on some bill. The measure now heads to the House.

The Senate amendment calls for \$44 billion in unspent funding for other purposes in the Office of Management and Budget (OMB). Democrats reportedly favor raising taxes on oil companies and other multinational corporations because it would leave spending decisions with the legislative branch.

There is broad-based political support to get rid of this mandate, according to Sen. Charles Grassley (R-Iowa), ranking member of the Senate Finance Committee.

"There have been so many concerns raised in the nonprofit sector that I don't believe this law will ever see light of day," Busby said.