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Congress Used Health Care Reform to Toughen Up on Taxes

The federal government used the Patient Protection and Affordable Care Act to push through an onerous requirement that would require companies to report other companies with which they do business

There's been a lot of confusion about what is and what is not in the Patient Protection and Affordable Care Act — otherwise known as President Barack Obama's health care reform.

Of course, despite the rumor mongering that goes so well with contact politics, there aren't death panels.

But there is a big change to the way you do business and pay your taxes.

The U.S. Congress used the Patient Protection and Affordable Care Act to legislate a new tax-reporting requirement for companies.

If your business purchases goods or services valued at more than \$600 from any other company or entity, you will be required to report the expenditure to the IRS and the vendor by using a Form 990-MISC.

In essence, this new requirement, which will be in effect for purchases made in 2012, forces companies to snitch on their vendors, informing the IRS of revenue streams as tiny as \$600.

Before we discuss whether this is effective tax enforcement policy, consider the practicality of the law.

Do you have the time, and does your business have the resources, to file forms for each and every vendor to whom you pay \$600 or more every year?

The American Institute of Certified Public Accountants is betting the answer is no.

In July letters to the U.S. Senate and House of Representatives, Alan Einhorn, chairman of AICPA's Tax Executive Committee, asked the government to repeal this new requirement.

"This expansion of information reporting may prove

to be so burdensome to small businesses that we believe it will significantly contribute to hurdles to growth and formation that businesses face," Einhorn wrote.

In creating this new requirement, the government's logic here is pretty simple: Companies will have difficulty underreporting income if all transactions above \$600 are reported to the IRS.

But with companies receiving hundreds, if not thousands, of 990 forms every year, how can the reporting requirement work effectively when it's surrounded by a new paperwork tsunami? In his letter, Einhorn described any annual reconciliation process as "mind numbing."

He wrote: "The AICPA strongly supports the efforts to reduce the tax gap, but we believe the extraordinary burden in this instance far outweighs the potential benefit."

Given the budget crunch the federal government faces, it's not shocking Congress is looking to close that tax gap.

But a policy such as this one — which is not only impractical but also pits businesses against their clients — has the potential to overburden U.S. companies at the same time these companies are struggling in an ailing economy.

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