



## National Association of Residential Property Managers

### **NARPM Talking Points for Repeal of New 1099 Requirements**

(December, 2010)

There are two separate 1099 issues that should be repealed

1. New 1099 requirements going into effect in 2011 for any person who receives rental income
2. Expansion of 1099 requirements going into effect in 2012 for all businesses who make payments of \$600 or more to any payee

#### **2011 Change for Landlords**

Earlier this year Congress passed [H.R.5297](#) which expanded reporting requirements for owners receiving rental income beginning in 2011. Specifically, Section 2101 establishes that, *"a person receiving rental income from real estate shall be considered to be engaged in a trade or business of renting property."* This change will now require any person who receives rental income to file a Form 1099 for payments of \$600 or more in a given year for each service provider. The new requirement does not include purchases of goods. Prior to this legislation, only real estate professionals such as those working in property management were considered to be in the "trade or business of renting property," and thus required to file 1099 forms with the IRS for these types of payments.

Exemptions were included in the legislation for military/intelligence personnel, those whose rental income is no more than a "minimal amount", and for those who would experience a "hardship". The second two exceptions have yet to be properly defined by the IRS.

#### **Reasons to Repeal this Provision:**

1. Creates an unnecessary paperwork burden for homeowners
2. Increases the paperwork that service providers must now handle
3. Further complicates the Federal tax system which will inevitably lead to reporting mistakes and subsequent fines on homeowners who are already struggling with a difficult economy

## **2012 Change for Property Managers**

Earlier this year Congress passed [H.R.3590](#) which expanded reporting requirements for all businesses beginning in 2012. Specifically, it requires the filing of Form 1099 for any business (*including independent contractors and those who are self-employed*) that makes a payment of \$600 or more in a given year to any payee for goods and services. A separate Form 1099 will need to be filed for each payee. Payments to tax-exempt organizations are not included in this new requirement.

There have been several attempts to repeal this 1099 requirement but so far none have been successful. It's unclear if there will be any further repeal attempts before the end of 2010. [Click here](#) for more information from Bloomberg Businessweek on recent repeal attempts.

### **Reasons to Repeal this Provision:**

1. Creates an unnecessary paperwork burden for property managers
2. Increases the paperwork that goods and service providers must now handle
3. Will force small businesses and independent contractors to spend a large percentage of time and money simply to track payment amounts and submit 1099 requests
4. Further complicates the Federal tax system which will inevitably lead to reporting mistakes and subsequent fines on small business owners who are already struggling with a difficult economy
5. The housing industry is going through a difficult period, this is not the time to modify tax reporting requirements and further exacerbate the situation

### **Additional Resources**

National Association of REALTORS®: [IRS Form 1099 Issue Brief](#)

National Council of Nonprofits: [1099 Information Page](#)

American Society of Association Executives: [Prepare for New 1099 Requirements](#)

U.S. Chamber of Commerce: [Letter to Congress Urging Repeal of 1099 Provision](#)