



Written by [Joe Wolverton, II, J.D.](#) on April 30, 2010

ObamaCare Contains Crippling Changes to Tax Code

The existence of the ObamaCare provision that forces every American, regardless of income, ability or personal preference to purchase a qualifying health insurance policy has been well reported, little attention has been paid to a similar mandate that will be far more wide-reaching, far costlier, and far more destructive to the attempts by hard-working Americans to protect their wealth.



The provision in question comes in the form of a few seemingly minor alterations to the tax code, specifically Section 6041 dealing with the reporting of income on Form 1099. The newly enacted amendments force business owners to send out millions of additional 1099s every year. This furtive federal mandate will force feed new regulations down the throats of businesses already choking on voluminous tax regulations.

As the law read prior to enactment of the Patient Protection and Affordable Care Act (a.k.a. ObamaCare), businesses were required to distribute 1099s under very particular set of circumstances, most notably when paying a vendor or consultant. Under the ObamaCare scheme, however, the requirements for information gathering and reporting are expanded exponentially, feeding the never satiated Congressional appetite for income and information from citizens.

The news firm, Thompson Reuters recently published the following [summary](#) of the new tax law as promulgated under ObamaCare:

The 2010 Health Care Act adds "amounts in consideration for property" (Code Sec. 6041(a) as amended by 2010 Health Care Act §9006(b)(1)) and "gross proceeds" (Code Sec. 6041(a) as amended by 2010 Health Care Act §9006(b)(2)) to the pre-2010 Health Care Act categories of payments for which an information return to IRS will be required if the \$600 aggregate payment threshold is met in a tax year for any one payee.

That is to say, for any payments made after 2011, the definition is changed and the payments triggering the issuance of Form 1099 will include gross proceeds paid in consideration of property and services, a substantial change to the current regulations.

The long and short of it is that under ObamaCare all businesses must issue a 1099 whenever they total gross revenue from business they do with an outside concern exceeds \$600 annually. Considering that amount of such qualifying transactions that must occur in an economy the size of the United States, the compliance burden on business will be crippling. As a [report from the Cato Institute](#) mused, "When a business buys a \$1,000 used car, it will have to gather information on the seller and mail 1099s to the



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seller and the IRS. When a small shop owner pays her rent, she will have to send a 1099 to the landlord and IRS.”

The avalanche of such reports will be crushing. The number of 1099s being received at the IRS will number in the billions. Again, prior to enactment of ObamaCare, the tax law required business to issue 1099s only for payment of rent, interest, dividends, and payment of services to independent contractors, when such payments are being made to non-corporations. Now, a business will have to send out a 1099 for almost every transaction, and for the first time, payments made to corporations fall under the regulatory shadow. This small change in a few lines of the behemoth tax code likely will cost as much in compliance cost as in tax payment.

Inexplicably, a review of the official congressional record reveals little if any debate on this surreptitious sacking of American enterprise. The dearth of official opposition highlights the sickening fact that both major political parties have colluded to enervate the once enviable might of American business. The purpose of such a scheme is the real issue, and one that must be addressed if the economic health of this republic is to be restored.

While Congressmen sat in stupor as the ObamaCare package was passed, the aforementioned [article published by the Cato Institute](#) cited the following [statement released by the Air Conditioner Contractors of America](#) in advance of the vote on ObamaCare:

The House bill would extend the Form 1099 filing requirement to ALL vendors (including corporate) to which they pay more than \$600 annually for services or property. Consider all the payments a small business makes in the course of business, paying for things such as computers, software, office supplies, and fuel to services, including janitorial services, coffee services, and package delivery services.

In order to file all these 1099s, you'll need to collect the necessary information from all your service providers. In order to comply with the law, you would have to get a Taxpayer Information Number or TIN from the business. If the vendor does not supply you with a TIN, you are obligated to withhold on your payments.

As any small business owner or self-employed person can attest, the sorts of transactions addressed in this new amendment to the IRS code are the lifeblood of America's service oriented economy. Without the participation of such actors in the marketplace, the American economy will wither and dry and tumble onto the refuse heap of capitalist societies that came before us. This expansion of tax reporting regulations and the concomitant red tape will bind the revenue generating arms and legs of the American body politic. The welfare of millions will sustain a devastating body blow and the personal data of an equal number of Americans will sit on the desk and in the file cabinets of powerful federal agents.

Why, one might ask, would our duly elected representatives in Washington make such onerous demands on their constituents? What could be the rational purpose of placing the heel of the absolutist boot on the already constricted throat of America's working class? Is it possible that legislators (again, from both sides of the aisle) delight in the obliteration of the middle class and the piecemeal, year-by-year erosion of the fiscal foundation they have laid upon which the continuing economic success of this republic is built? Is not the very sector of the economy targeted by this provision of ObamaCare the lifeblood of America and the provider of the vast expressions of freedom enjoyed by the legislators themselves? Will we not all hang together on the nooses tied with ObamaCare ropes?

The answers to these questions seem simple and perhaps they are even begged to a point. What is most



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inexplicable, however, is the fact that when this burdensome, destructive mandate was being slipped into the 2,000 pages of ObamaCare, a pin could be heard to drop in the halls of Congress. Where were the pro-business, pro-freedom, liberty-loving legislators when their voices could have saved the citizens they claim to defend?

Thankfully, soon Americans will make their biennial pilgrimage to the shrine of freedom: the ballot box. On that day, the citizens of this republic exercise the sacred right of suffrage and may remove from office all those lawmakers that sat in silence as the laws described above were surreptitiously passed into law like a Trojan Horse of taxes being rolled passed those who have been entrusted with the responsibility for serving as sentinels on the ramparts of this republic. There are other men and women who will worthily and willingly accept that awesome responsibility, however, and wise Americans must seek them out and elect them to represent us in the legislatures in the states and in Washington, D.C, with a mandate of our own: Repeal ObamaCare and restore the balance of power in the United States.

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