



February 8, 2011

The Honorable Sam Graves
Chairman
House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

The Honorable Nydia M. Velázquez
Ranking Member
House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Graves and Ranking Member Velázquez:

On behalf of Associated Builders and Contractors (ABC), a national association with 75 chapters representing more than 23,000 merit shop construction and construction-related firms with nearly two million employees, I am writing in regard to the full committee hearing titled, “Buried in Paperwork: A 1099 Update.”

ABC strongly supports H.R. 4, *the Small Business Paperwork Mandate Elimination Act*, which would repeal the overly burdensome Form 1099 reporting requirement that was included in the Patient Protection and Affordable Care Act (PPACA). This new and expanded requirement means that almost every business-to-business transaction is potentially reportable to the Internal Revenue Service. The construction industry is already strained with job loss, with unemployment at 22.5 percent, and adding more bureaucratic layers to an already burdened industry is not conducive to an expedient economic recovery.

Research from a 2010 study released by the Small Business Administration’s Office of Advocacy illustrates that the small business community is disproportionately affected by burdensome federal regulations. The study found that small businesses spend more than approximately \$10,600 per employee annually to comply with federal regulations. In fact, the study concluded that small businesses spend three times as much per employee to comply with the federal tax code than larger firms. For the construction industry, excessive regulations translate into higher costs that are eventually passed on to the consumer.

Recently, an ABC member, who is the vice-president of a family-owned small business, indicated that the Form 1099 reporting requirement may force him to hire an additional full-time employee to work in his company’s accounting department—the department already employs two full-time employees. Because the ABC member works with 1,200 vendors, of which only 4 or 5 presently issue a Form 1099, the accounting department will be required to spend countless hours on the increased paperwork and filing.

Two years ago, the same ABC member employed 136 employees; however due to the current construction market, he was forced to lay off employees, reducing his staff to 66. Instead of investing in equipment or hiring employees to actually perform work in the field, he may be faced with a huge overhead expense of hiring a full-time employee to solely work on this new burdensome mandate. In order to absorb this additional cost, he may be forced to increase production or charge more. Ultimately, the overhead expense resulting from this new paperwork requirement will have a dramatic effect on the ABC member’s bottom line and how he conducts business.

Additionally, ABC members also expressed the following concerns regarding the expanded Form 1099 reporting requirement:

- Businesses would easily have a multitude to request/collect/follow on receipt of W-9's (approximately double what they currently maintain);
- Businesses would have to incorporate a review process to ensure that a W-9 is on file prior to the release of payments (again at least double what is currently maintained);
- Businesses would have to "hold" payments from suppliers until they receive the W-9 which could delay payment, place holds on accounts, delay shipments, etc.;
- What is commonly known today as a "check request" would have to include a process of collecting a W-9 and vendor setup to track for 1099 purposes—which would cause a delay in the turnaround time;
- What are commonly known as "onetime vendors" would probably disappear due to the inability to issue 1099's or even be able to review for year-end purposes;
- Field personnel would become part of the process. Before calling someone out to perform a service, or making over the counter purchases, businesses would need them to be proactive and either notify the office prior to placing the order or collect the W-9 themselves; and
- Additional forms and postage would be an increased cost as well.

Small and family-owned businesses are the backbone of our economy and give Americans a sense of pride and accomplishment. In the construction industry, they provide valuable jobs and play an integral role in building communities. ABC strongly supports *the Small Business Paperwork Mandate Elimination Act* (H.R. 4), which would provide relief to small businesses by repealing the increased reporting and paperwork requirements.

We appreciate your attention to this important matter and look forward to working with you on repealing the overly burdensome Form 1099 reporting requirement.

Sincerely,



Corinne M. Stevens
Senior Director, Legislative Affairs