



National **Retail** Federation
The Voice of Retail Worldwide

National Retail Federation Testimony

Hearing on

“Buried in Paperwork: A 1099 Update ”

Committee on Small Business

United States House of Representatives

February 9, 2011

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Mr. Chairman, Ranking Member Velazquez and honored members of the Committee, I thank you for the opportunity to address your committee this afternoon about a pending threat to small business that I can best describe as formidable, frustrating, and frightening. My name is Seth Shipley, owner of Shipley's Diamonds and Fine Jewelry in Hampstead, Maryland. I appear before you on behalf of both the National Retail Federation¹ and the Maryland Retailers Association.

The health care reform law enacted last year is at best a mixed bag, and looks to me like it will hurt far more than help from a small business perspective. Retailers recognize that repeal of the entire health care reform law is difficult given the current makeup of the Senate as well as President Obama's veto power. Therefore, we also support specific changes to the Patient Protection and Affordable Care Act (PPACA) such as the repeal of the expanded Form 1099 reporting requirements.

Section 9006 of PPACA will impact small business owners like me in ways that we are already sure of and in other ways we can only imagine. There will be nothing positive or economically stimulating about it – really quite the opposite. Requiring reporting for all non-credit card transactions over \$600 in a year will create a blizzard of reports that will needlessly bog down commerce while also swamping the IRS. This provision has no relevance to our health care system and should be promptly repealed.

I strongly support H.R. 4, the Small Business Paperwork Mandate Elimination Act of 2011 introduced by Rep. Dan Lungren (R-CA). The National Retail Federation also strongly supports this bill. This necessary change to PPACA rightly enjoys broad bipartisan support – and received an overwhelming Senate vote of 81-17 February 2, 2011 on a dispositive procedural motion. We look forward to its prompt approval in the House as well.

Let me tell you a little about my business. My small store in rural Carroll County serves about 6,000 customers a year. I estimate that more than 1,500 of those customers spend more than \$600 a year in my store. According to the government website, it only takes 18 minutes for me to fill out a 1099 form. Even so, that means approximately 500 more hours of work will have to be devoted to filling out those forms for my customers by my estimate.

In addition, I conduct transactions with about 200 jewelry suppliers each year and will invest more than \$600 with each of them. That means an additional 60 hours of work to fill out those 1099 forms.

¹ As the world's largest retail trade association, the National Retail Federation's global membership includes retailers of all sizes, formats and channels of distribution as well as chain restaurants and industry partners from the U.S. and more than 45 countries abroad. In the U.S., NRF represents the breadth and diversity of an industry with more than 1.6 million American companies that employ nearly 25 million workers and generated 2010 sales of \$2.4 trillion. www.nrf.com

What I find extremely frustrating however, is that there is nothing in that 18 minute government estimate that considers the time I will need to invest tracking each customer's purchases throughout the year.

I will be required to track all 6,000 customers throughout the year to determine who spends more than \$600. I will also have to then contact each of those customers and invade their privacy to request their social security number so that I can complete the required 1099. I cannot begin to imagine the reactions of my customers when I ask them for this personal information and advise them I am required to report this to the government.

The 18-minute government estimate also does not include the time I will need to track each expenditure to the hundreds of suppliers I purchase from. Again, I will have to obtain that same personal information from each company I deal with.

In addition to all the 1099 forms, I am told by my accountant that each 1099 form requires completion of a W-9 form. This is a request for taxpayer identification number and certification.

Ultimately, the bookkeeping requirements mandated by this new law will require more than 1,000 hours of additional work. My conservative estimate is that I will have to expend more than \$35,000 each year to comply with this new law. That is a significant blow to my net business income. At the moment, I do not know how I will be able financially comply with this mandate.

I began my business in 1991 in my parent's basement. I have struggled and sacrificed to make my business what it is today. I received no government loans or subsidies. I believe I have made a positive contribution to the economy in my town, my state, and ultimately, my nation. I have worked hard and been blessed with a small part of the American dream. If this law takes effect next year, I believe that dream will vanish for me and tens of thousands of small business owners across our great nation.

I urge your immediate action to repeal this onerous legislation.

Conclusion

Again, I appreciate the chance to appear before you today on behalf of the National Retail Federation and the Maryland Retailers Association. Retailers look forward to working with you repeal this burdensome reporting mandate and to help promote the enactment of more positive health care reform.