



February 8, 2011

The Honorable Sam Graves
Chairman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Graves:

On behalf of the 7,000 companies that belong to the National Association of the Remodeling Industry (NARI), we are writing to thank you for holding this week's hearing titled, *Buried in Paperwork: A 1099 Update*. We are also writing in support of H.R. 4, *the Small Business Paperwork Mandate Elimination Act of 2011*, which would repeal Section 9006 of the Patient Protection and Affordable Care Act (P.L. 111-148). That provision would require businesses to issue IRS Form 1099s to any individuals or corporations from which they buy more than \$600 in goods and services in a tax year.

NARI is a non-profit trade association based in Des Plaines, Illinois. NARI has 58 Chapters in major metro areas nationwide and its membership is comprised of remodeling contractors, local suppliers, and national suppliers. Our Kansas City NARI Chapter is proud to have 116 members who own and operate their businesses in Missouri. NARI's core purpose is to advance and promote the remodeling industry's professionalism, product, and vital public purpose.

NARI members have a reputation as the most highly trained and certified remodelers in America. NARI members voluntarily subscribe to a strict Code of Ethics and Standards of Practice. The training and certification programs run by NARI are the association's hallmark and exemplify NARI's commitment to its core purpose. NARI members are no stranger to local, state, and federal regulatory requirements. The remodelers who belong to NARI are professionals who answer to city, county, state, regional, and federal regulators on various aspects of their work. NARI remodelers pride themselves on assuring customers that work on their homes is done in full compliance with the volumes of code requirements, ordinances, and regulations that govern remodeling work.

NARI joins a chorus of small business interests, including SBA Administrator Karen Mills, and SBA's Chief Counsel for Advocacy, Winslow Sargeant, in calling for repeal of an overly burdensome mandate to expand the use of IRS Form 1099s.¹ While current law requires the issuance of 1099s, Section 9006 would expand requirements to track payments for tangible goods

¹ Statement of SBA Administrator Mills is available at:

http://www.sba.gov/idc/groups/public/documents/sba_homepage/news_release_10-67.pdf

Statement of SBA Chief Counsel for Advocacy is available at: <http://www.sba.gov/advo/press/10-15.html>



in addition to what is currently required for services. Additionally, the current rules for issuing 1099s would be expanded to include issuing the IRS forms to corporations, not just to individuals as the current law requires. IRS estimates that 40 million taxpayers would be subject to the new 1099 filing requirements starting in 2012.

According to a survey conducted by the National Association for the Self-Employed, small businesses receive an average of 4 Form 1099s from clients or customers and issued an average of 2 Form 1099s annually to contractors under the current system. Under Section 9006 of the new health care law, small business owners who answered the survey estimated they will have to issue 27 Form 1099s, a 1250 % increase in paperwork burden.² The burden imposed by Section 9006 is magnified further by tracking and recordkeeping requirements that accompany the new federal mandate.

According to research by the U.S. Small Business Administration's Office of Advocacy, the cost of complying with federal regulations totals more than \$1.1 trillion.³ That equates to an annual cost of \$10,585 per employee for firms with fewer than 20 employees. This burden is disproportionately harsh on small businesses. The SBA research shows that small firms shoulder 36% more regulatory compliance costs than their larger business competitors. 83% of NARI members have fewer than 20 employees and the findings in SBA's study represent how NARI members are impacted by federal mandates. It should be no surprise that 97% of the 1,109 NARI members who responded to a survey last month supported repeal of the 1099 requirement.

Small businesses are the engine of the U.S. economy and NARI is proud to represent a segment of the small business service sector that improves the lives of homeowners one remodeling project at a time. NARI thanks you for holding the hearing and hopes your action will prompt your House colleagues to repeal the 1099 requirement contained in Section 9006 of the new health care law. We thank you for your attention to the advocacy efforts of the small business community.

Sincerely,

Mary Busey Harris, CAE
NARI Executive Director

² Over 300 small business owners participated in the survey in May, 2010. For more information, see http://nase.org/about/pressreleases/10-05-25/New_Law_Increases_Paperwork_for_Self-Employed_Over_A_Thousand_Percent.aspx

³ Nicole V. Crain and W. Mark Crain, "The Impact of Regulatory Costs on Small Firms," SBA Contract Number SBAHQ-08-M-0466 (September 2010). Study available at: <http://www.sba.gov/advo/research/rs371tot.pdf>