



**Opening Statement of  
The Honorable Sam Graves  
Chairman, House Committee on Small Business  
Hearing: “Buried in Paperwork: A 1099 Update”  
February 9, 2011**

I want to welcome all of the new Members of this Committee, as well as our returning Members, to the first hearing of the 112<sup>th</sup> Congress. I look forward to a productive working relationship, and to crafting policies that will help our nation’s entrepreneurs to grow, invest and create jobs. A special thanks to Chairman Lungren and our small business witnesses. We are depending on small firms to reinvigorate our economy, so we must provide an environment in which you can flourish.

We begin this session’s hearings by examining the state of health care reform and its effect on small businesses. Today, we focus on the health care law’s provision that expands business 1099 reporting. Under the new provision, reports will also be required for goods and property, as well as services. Additionally, reporting on payments to all corporations that are not tax-exempt will be required if they meet the \$600 threshold. To reiterate, small business owners could be forced to fill out all this paperwork over and over again because of hundreds of ordinary business purchases that add up over the course of a year. Business purchases such as equipment, furniture, office supplies, software and fuel. I ask unanimous consent to insert these documents into the record.

Scheduled to take effect in 2012, the expanded 1099 reporting provision was added to the health care law to help close the so-called tax gap by generating revenue to pay for the law. However, a report by the IRS' Taxpayer Advocate Service notes that "the new reporting burden, particularly as it falls on small businesses, may turn out to be disproportionate as compared with any resulting improvement in tax compliance." In other words, the reporting requirement may not accomplish its intended purpose, and could be an administrative nightmare for small businesses. In addition, the Taxpayer Advocate Service has raised questions about the "significant administrative challenges" that the requirement may pose for the IRS.

This new 1099 requirement will cause an avalanche of additional 1099 forms to be filed, and affect over 36 million entities. At a time when we should be making it easier to create jobs, promote growth and invest in our economy, small firms don't need yet another costly and burdensome mandate. Although attempts were made last session to repeal the provision, those efforts were unsuccessful. We must repeal it immediately, so small businesses do not begin to devote scarce resources to compliance. I am pleased that over 260 Members from both sides of the aisle have cosponsored Chairman Dan Lungren's repeal legislation, and that President Obama called for repeal in the State of the Union address. And last week, the Senate passed an amendment repealing this provision.

Today, we will hear from small business owners who would be affected by this new 1099 requirement, and from the House author of legislation to repeal it. Thank you all for being here, and providing your testimony.