Caring For Those Who Serve

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Form 1099 Reporting Provision of Health Care Law Repealed

Bill H.R. 4 was signed into law today—repealing the expanded *Form 1099* tax reporting requirement for business that had been included in the Patient Protection and Affordable Care Act (PPACA). The *Form 1099* provision would have required businesses, including tax-exempt organizations such as churches, to file tax reporting documents for *all vendors* from which they buy at least $600 worth of goods or services within a year. This requirement was to become effective January 1, 2012.

Currently, a business (including tax-exempt organizations) must provide a *Form 1099* to the Internal Revenue Service (IRS) for any services it receives from an unincorporated firm, such as a partnership, or from an individual. It does not need to report payments made to incorporated businesses. The PPACA broadened the requirement so that a business or tax-exempt organization would have to file the form for *every* vendor it uses, regardless of incorporation status, for both services and goods that equal $600 or more in a year. The measure was intended to generate additional tax revenue to help fund health care reform by capturing previously underreported income.

Under H.R. 4, the lost revenue caused by repealing the expanded *Form 1099* tax reporting will be offset by a new provision, which mandates that individuals pay back federal health care subsidies (scheduled to begin in 2014 for qualified individuals) if their income increases above a defined threshold. Starting in 2014, the PPACA will provide tax credits to low-income and middle-income families to help them pay health insurance premiums. This credit applies only to people who do not have employer-provided health insurance and whose taxable income is below 400% of the federal poverty level (FPL, approximately $88,000 for a family of four in 2011). These credits will be paid in advance directly to insurance companies throughout the year when the individual purchases coverage through a state health insurance exchange. The amount will be based on family size, premium costs and income reported on the individual's previously filed tax returns.

Impact on Participants Exceeding Tax Credit Threshold

Under the PPACA, if an individual or family's income increases (for example, due to a pay raise, new job or bonus) and the individual or family either no longer qualifies for the tax credit or qualifies for a smaller amount of assistance, the individual or family would have to repay a portion of those tax credits when they file their federal tax returns, based on a sliding scale according to the individual's or family's household income.
Bill H.R. 4 increases the amount people would have to repay. For instance, a family of four making just under 300% of the FPL might have to repay up to $2,500 if their income increases during the course of the year, or the same family making just under 400% of FPL might have to repay up to $12,000. Some argue that this change could discourage people from purchasing insurance through the exchanges, particularly those near the upper end of the subsidy thresholds. It could also disadvantage unemployed individuals who find work in the middle of the year.

Potential Impact on United Methodist Clergy

In the event that United Methodist clergy begin to become covered in the health insurance exchanges after 2014 and receive tax credit subsidies, increases in compensation during the mid-year appointment season potentially could cause some clergy to have to repay these subsidies under the new rules of H.R. 4.

Questions and Information

If you have questions or would like additional information, please send your inquiries to **healthcarereform@gbophb.org**. You also can learn more about health care reform through the federal government's website: **www.healthcare.gov/**.