



January 3, 2011

To our Clients & Friends:

As you may know, The Health Care Reform Bill, Patient Protection & Affordable Care Act (PPACA), mandates that beginning in 2012 all companies will have to issue 1099 tax forms not just to contract workers but to any individual or corporation from which they buy more than \$600 in goods or services in a tax year.

Right now, the IRS Form 1099-MISC is used to document income for individual workers other than wages and salaries. Freelancers receive them each year from their clients, and businesses issue them to independent contractors they retain.

But under the new rules, if a freelance designer buys a new iMac from the Apple Store, they will have to send Apple a 1099. A construction firm who buys supplies each week from a local distributor will have to send the distributor a 1099 at the end of the year tallying up their purchases.

The Bill makes two key changes to how 1099s are used. First, it expands their scope by using them to track all cumulative purchases that total \$600 not only for services but also for tangible goods. Plus, it requires that 1099s be issued not just to individuals, but also to corporations.

In anticipation of the new IRS reporting requirements, we recommend you begin collecting tax data on all vendors, suppliers and contractors and do not pay anyone in 2011 without first having a W-9 on file. The W-9 form is available on the IRS website, <http://www.irs.gov/pub/irs-pdf/fw9.pdf>.

If you keep accurate vendor payment records in your accounting system (even just in QuickBooks and Quicken) then determining how much was paid to a vendor or supplier will be simple. What you want to avoid is not having a W-9 on file when you go to create the 1099 and then possibly not being able to obtain the payee's Social Security Number or Employer Identification Number.

The final impact of the law will not be known until the IRS issues its regulations sometime in 2011. In addition, there is noise from Congress that this provision of the Health Act may be repealed. We will keep you apprised of any changes in the law and/or regulations. In the meantime, it would be prudent to begin collecting W-9 forms and to keep thorough vendor records in your accounting system.

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Please give us a call if you have any questions or need any additional information.

Very truly yours,

GORDON & ASSOCIATES, P.A., CPAs

A handwritten signature in blue ink, appearing to read "H. Gordon", written in a cursive style.

Horace C. Gordon, IV, CPA/PFS, CFP®

HCG/lrc

*The following disclosure is required by the Florida Board of Accountancy:

A Certified Public Accountant (CPA) is licensed by the State of Florida

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The Certified Financial Planner licensee (CFP) designation is administered by the Certified Financial Planner Board of Standards