September 29, 2010

Internal Revenue Service
CC:PA:LPD:PR (Notice 2010-51)
P.O. Box 7604
Ben Franklin Station, Room 5203
Washington, DC  20044

RE: Information Reporting Under the Amendments to Section 6041 for Payments to Corporations and Payments of Gross Proceeds and With Respect t Property Notice 2010-51

To Whom It May Concern,

As New York State’s largest general farm organization, New York Farm Bureau appreciates the opportunity to comment on the new information reporting requirements resulting from section 9006 of the Patient Protection and Affordable Care Act of 2010.

Beginning in 2012, family farmers will be required to fill out an IRS Form 1099 for all payments of $600 or more in a calendar year for each non-employee payee. This new reporting requirement will force family farmers—operating small businesses without dedicated accountants on staff—to invest a substantial amount of time, expense and effort to comply with this new mandate.

Farm businesses are already overburdened by tax paperwork and reporting obligations, at both the state and federal level, and this change will further burden the businesses that can least afford it. Based on a small sampling, New York farms may now be responsible for issuing six times the number of Form 1099s, some estimating they may issue well over 100 for the calendar year. The filing expense will likely average $15 per form in New York, according estimates by a firm in Western New York, but can be even higher. One farm sampled in our state is accustomed to filing eight forms annually, but estimates it will file 50 forms under the new law, amounting to approximately $630 in additional accounting costs (above its usual fees) just to file Form 1099.

These estimates are based on businesses using accounting software proficiently. Many still keep their books manually or are less than proficient with software and their professional accounting fees will be even higher.

It is also important to keep in mind that the accounting professionals that farms use to prepare their tax documents are likely to be filing an exponentially larger number of forms than in the past—for all their business clients—during the same short period in January. This is a logistical challenge for the professionals that assist farmers and the current infrastructure will be overburdened to accommodate the needs of this new requirement.

These monetary expenses for filing Form 1099 do not include the additional investment of time and staff that will be needed to comply with this requirement, resources better used to manage our farm businesses
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that are working under extremely difficult economic conditions. It is clear that many farms will be forced to hire assistance to compile the needed information from vendors and ensure compliance at a time when many farms don’t have room in their budgets for additional expenses.

In order to issue Form 1099 farms must collect Form W-9 from vendors, which at six times the usual number presents several problems. First, it is notoriously difficult and time consuming to collect this information and the burden will contribute to the need for additional staff expenses. Second, Form W-9 includes privacy protected information, like Social Security numbers. Protecting this private information for a large number of individuals will place an additional burden on farms which do not have the staff and resources to devote to such a heavy paperwork burden. Third, farms may be forced to install or upgrade accounting software in order to comply with these new requirements. This is another expense for the farm business.

The change to section 6041, which will now require farms to send Form 1099 to corporations, government entities, international organizations, retirement plans and others, adds a huge burden to businesses and is unlikely to provide additional revenue as intended. It is easy to recognize the absurdity of a farm sending Form 1099 to John Deere and Staples, for example, creating a truly unneeded paperwork burden and expense for farmers when those companies are already fully accountable to report their income to the IRS. The idea of issuing Form 1099 to a government entity, which would be the case for every farm paying into a federal crop insurance program, would likewise be a futile exercise for farmers, adding to their burden yet yielding no additional income to the IRS.

It is unclear whether suggested provisions to exempt payment reporting for transactions made using payments cards would provide any relief to farmers or simply increase the burden. Accounting software that farmers typically use does not easily distinguish between payments made by card versus payments made by check or cash. Maintaining records of this sort could actually create a larger time and staff investment than the absence of this exemption. Additionally, many of the smaller vendors that farmers use do not accept card payments because of the associated transaction fees. Other vendors do not offer the same discounts for card payments as they do for cash payments because of the transaction fees.

There will be no way to avoid the substantial financial and administrative burden placed on farmers and small businesses by the expanded Form 1099 reporting requirements. Farmers need to be producing food to feed our families, not expending money and valuable time on compliance with unnecessary paperwork burdens that do not accomplish the stated goal of increasing revenue. New York Farm Bureau supports repeal of Section 9066 of the Patient Protection and Affordable Care Act.

Thank you for your time in considering our concerns. Should you have any questions, please don’t hesitate to contact our office at any time.

Sincerely,

Dean E. Norton
President