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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

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October 5, 2010

Dr. Winslow L. Sargeant
Chief Counsel for Advocacy
United States Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

Dear Dr. Sargeant,

As Ranking Member of the Senate Committee on Small Business and Entrepreneurship, I write today because I am concerned that your office failed to submit formal comments to a recent Request for Information solicited by the Treasury Department and Internal Revenue Service (IRS) involving the onerous new IRS Form 1099 filing requirements that were added in the health reform bill that the President signed into law earlier this year. This new 1099 mandate will require that, starting in 2012, every business in America must collect data and report to the IRS on business purchases that exceed a threshold of only \$600 per supplier. The practical effect will mean that millions of businesses will have to send billions of new information reporting forms to the IRS and other businesses.

Repealing this provision has been a top priority for the entire small business community – including the National Federation of Independent Business, the National Association of Manufacturers, the Associated Builders and Contractors, the National Restaurant Association, and the U.S. Chamber of Commerce. Regrettably, not only did Congress fail to repeal this burdensome requirement as part of the Small Business Jobs Act signed into law by President Obama on September 27, but that bill actually expanded its scope and increased penalties for failure to collect and remit this information.

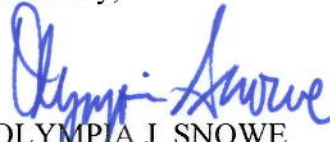
While I appreciate that the Office of Advocacy convened a stakeholder meeting on the 1099 issue on Wednesday, September 22, I am deeply disturbed your office did not file formal comments to Treasury and the IRS, which requested “specific comments ... regarding the burden associated with implementing the new reporting requirements for different types of taxpayers and businesses.” I understand that the one thing that each and every small business participant mentioned at stakeholder meeting was that these 1099 requirements should be repealed. In fact, the Small Business Coalition for Affordable Health Care, submitted comments (which I have enclosed for your consideration), which stated:

“[t]he potential reach of the new reporting requirement is vast, requiring small businesses to report almost every business-to-business transaction on a Form 1099 and spend more time collecting the information needed to properly complete these forms.... While Treasury and the IRS have specifically requested suggestions to minimize the expanded burden on businesses, *we believe that the only solution is to repeal this requirement before it goes into effect.*”
(emphasis added)

In your submitted testimony during your confirmation hearing before the Senate Small Business Committee, you stated that, “[t]he Office of Advocacy must maintain its independence to ensure that it serves, first and foremost, the American small business. I want to assure you that, if confirmed as Chief Counsel, I will answer to the small business community.” So I am again troubled why your office did not submit formal comments echoing the concerns raised by the small business community – and it has lead me to question whether the independence of the office is threatened.

Therefore, I request that you provide, within two weeks receipt of this letter, a specific plan for how you and the Office of Advocacy will address the 1099 issue to mitigate small business impact.

Sincerely,



OLYMPIA J. SNOWE
Ranking Member